

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

COMPLIANCE REPORT
OF
EAGLE CREEK TOWNSHIP
LAKE COUNTY, INDIANA
January 1, 2013 to December 31, 2016



FILED
10/18/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Results and Comments:	
Bank Account Reconciliations	4
Optical Images	4
Records Not Presented	5
Annual Financial Report	5
Overdrawn Cash Balances	5
Appropriations.....	6
Receipt Issuance	6
Supporting Documentation	6
Reimbursements.....	6-7
Township Assistance	7-8
Contracts	8
Issuing of 1099	8-9
Board Minutes.....	9
Official Bond	9
Nepotism in Employment.....	9-10
Nepotism in Contracting	10
Credit Card Policy.....	10-11
Exit Conference.....	12

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Rosemarie Morrow	01-26-12 to 12-31-18
Chairman of the Township Board	Bruce McNeil	01-01-13 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF EAGLE CREEK TOWNSHIP, LAKE COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Eagle Creek Township (Township), Lake County, for the period January 1, 2013 to December 31, 2016, to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

The Results and Comments contained herein describe the identified reportable instances of non-compliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Results and Comments, incorporated within this report, was not verified for accuracy.

The Annual Financial Reports filed by the Township can be found on the Gateway website: <https://gateway.ifionline.org/>.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

June 28, 2017

EAGLE CREEK TOWNSHIP, LAKE COUNTY
RESULTS AND COMMENTS

BANK ACCOUNT RECONILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not completed by the Trustee for the reporting period.

We performed a cursory bank reconciliation as of December 31, 2016. A cursory bank reconciliation consists of adjusting the bank balance for checks and deposits that cleared the bank in January 2017, but were recorded in the records as of December 31, 2016. As of December 31, 2016, we identified the fund ledger balance was in excess of reconciled bank balance in the amount of \$1,331.57.

A similar comment appeared in the prior Report B42286.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

OPTICAL IMAGES

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks. The back side or endorsement side of the checks was not returned.

Indiana Code 5-15-5.1-10(a) states in part:

"Each . . . local government shall:

- (1) Make and preserve records containing adequate and proper documentation of . . . essential transactions of the . . . local government to protect the legal and financial rights of the government . . ."

Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference. . . .

(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a). . . ."

EAGLE CREEK TOWNSHIP, LAKE COUNTY
RESULTS AND COMMENTS
(Continued)

RECORDS NOT PRESENTED

The 2013 Township ledger was not presented.

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

ANNUAL FINANCIAL REPORT

The Annual Financial Report filed on Gateway for 2016 did not match the Township records.

<u>Year</u>	<u>Fund</u>	<u>Category</u>	<u>Amount per Gateway</u>	<u>Amount per Township Ledger</u>	<u>Difference</u>
2016	Rainy Day	Receipt	\$ -	\$ 7,812.05	\$ (7,812.05)
2016	Rainy Day	Ending Balance	-	7,812.05	(7,812.05)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

OVERDRAWN CASH BALANCES

The following funds had overdrawn cash balances at December 31:

<u>Years</u>	<u>Fund</u>	<u>Amount Overdrawn</u>
2015	Fire Fighting	\$ 12,582.72
2015	Public Safety	403.20
2016	Fire Fighting	8,532.62

A similar comment appeared in the prior Report B42286.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

EAGLE CREEK TOWNSHIP, LAKE COUNTY
RESULTS AND COMMENTS
(Continued)

APPROPRIATIONS

The records presented indicated the following disbursements in excess of the budgeted appropriations:

<u>Years</u>	<u>Fund</u>	<u>Excess Amount Disbursed</u>
2015	Township	\$ 19,244.59
2015	Fire Fighting	3,749.60
2016	Fire Fighting	22,245.00

Indiana Code 6-1.1-18-4 states: "Except as otherwise provided in this chapter, the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

RECEIPT ISSUANCE

Receipt Form 16 was not used when property taxes, excise taxes, and interest was received. The monies were properly posted in the ledger and deposited in the bank.

A similar comment appeared in the prior Report B42286.

The Township Trustee's Receipt (Form 16-1997) is to be used for each item of money received. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 3)

SUPPORTING DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. For example, payments made for office supplies, snow removal, and emergency cemetery work did not have supporting documentation to support the disbursements.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

REIMBURSEMENTS

Mileage

The Trustee was reimbursed for mileage annually; however, a mileage claim form was not presented.

EAGLE CREEK TOWNSHIP, LAKE COUNTY
RESULTS AND COMMENTS
(Continued)

<u>Years</u>	<u>Reimbursed Mileage Amount</u>
2013	\$ 800
2014	1,000
2015	700
2016	700

Mileage Claim, General Form No. 101, shall be properly completed, listing dates of authorized travel, details of travel, miles traveled, nature of business, etc., for reimbursements for mileage before payment is made.

Official Opinion 74 of the Indiana Attorney General, issued in 1953, concluded there is no statutory authority for payment of a fixed amount of travel allowance to public employees and that a public employer may not reimburse an employee for travel expense which is, in fact, not incurred by the employee. Also, there is no authority for a travel allowance to be paid without regard to the number of miles, if any, actually traveled.

Therefore, the State Board of Accounts is of the audit position that a fixed amount for travel allowance should not be paid. The prescribed method is to reimburse the employee for travel on the basis of a claim filed on Mileage Claim, Form 101. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 2)

Phone

The Trustee was reimbursed for phone usage totaling \$400 in 2013, \$200 in 2014, and \$200 in 2015. There were no claims or invoices presented to determine if correct amount was reimbursed.

If the township office is in the home, and the telephone (only phone) is in the township name in the phone directory, the additional cost of that phone being listed as a township phone is reimbursable. Up to 50% of the base monthly service billing may also be reimbursed if approved by the township board in accordance with IC 36-6-8-3. Additionally, 100% of all documented long distance township business calls may be reimbursed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 2)

TOWNSHIP ASSISTANCE

Township Assistance Applications

Township assistance payments were made without an Application for Township on file. We tested the applications and found that 14 percent of the recipients receiving assistance did not have an application on file. In addition, 39 percent of the recipients did not complete a new application each year.

Application for Township Assistance is to be completed by each person who applies for township assistance. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 7)

Township Assistance Standards

Township Assistance Standards were not established in accordance with Indiana Code 12-20-5.5-1 for 2013, 2014, or 2016.

EAGLE CREEK TOWNSHIP, LAKE COUNTY
RESULTS AND COMMENTS
(Continued)

Indiana Code 12-20-5.5-1 states:

"(a) The township trustee shall process all applications for township assistance according to uniform written standards and without consideration of the race, creed, nationality, or gender of the applicant or any member of the applicant's household.

(b) The township's standards for the issuance of township assistance and the processing of applications must be:

- (1) governed by the requirements of this article;
- (2) proposed by the township trustee, adopted by the township board, and filed with the board of county commissioners;
- (3) reviewed and updated annually to reflect changes in the cost of basic necessities in the township and changes in the law;
- (4) published in a single written document, including addenda attached to the document; and
- (5) posted in a place prominently visible to the public in all offices of the township trustee where township assistance applications are taken or processed."

CONTRACTS

Payments made to the Tri-Creek Ambulance Service were not supported by a written contract.

A similar comment appeared in the prior Report B42286.

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

ISSUING OF 1099

The Township entered into a cemetery mowing contract with an employee of the Township; however, the Township did not issue a 1099 for the independent contract.

<u>Years</u>	<u>Amount Paid</u>
2013	\$ 4,000
2014	4,600
2015	4,800
2016	1,000

EAGLE CREEK TOWNSHIP, LAKE COUNTY
RESULTS AND COMMENTS
(Continued)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

BOARD MINUTES

Minutes of the Township Board meetings were presented; however, the Township Board did not organize each January to elect a Chairman and Secretary for 2013 or 2014. In addition, minutes of meetings were not approved.

Indiana Code 36-6-6-7(a) states: "The legislative body shall meet at the office of the executive on the first Tuesday after the first Monday in January of each year. At this meeting the legislative body shall elect one (1) member as chair for that year and one (1) member as secretary for that year."

Indiana Code 36-6-6-8 states:

"The legislative body shall keep a permanent record of its proceedings in a book furnished by the executive. The secretary of the legislative body shall, under the direction of the legislative body, record the minutes of the proceedings of each meeting in full and shall provide copies of the minutes to each member of the legislative body before the next meeting is convened. After the minutes are approved by the legislative body, the secretary of the legislative body shall place the minutes in the permanent record book. The chairman of the legislative body shall retain the record in the chair's custody."

OFFICIAL BOND

The Trustee's Surety Bond (\$15,000) was insufficient per Indiana Code 5-4-1-18 (\$30,000).

Indiana Code 5-4-1-18(e) states in part:

". . . the fiscal bodies of the respective units shall fix the amount of the bond of . . . township trustees . . . as follows:

- (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee. . . ."

NEPOTISM IN EMPLOYMENT

Nepotism in Employment Policy

The Township did not have a Nepotism Policy for 2013, 2014, or 2015.

EAGLE CREEK TOWNSHIP, LAKE COUNTY
RESULTS AND COMMENTS
(Continued)

Indiana Code 36-1-20.2-9(a) states in part: "This chapter establishes minimum requirements regarding employment of relatives. The legislative body of the unit shall adopt a policy that includes, at a minimum, the requirements set forth in this chapter. . . ."

Certification

Each elected officer did not certify in writing that the officer had not violated Indiana Code 36-1-20.2 (Nepotism) by December 31, 2013, 2014, 2015, or 2016.

Indiana Code 36-1-20.2-16 states: "Each elected officer of the unit shall annually certify in writing, subject to the penalties for perjury, that the officer has not violated this chapter. An officer shall submit the certification to the executive of the unit not later than December 31 of each year."

NEPOTISM IN CONTRACTING

Nepotism in Contracting Policy

The Township did not have a Contracting Policy for 2013, 2014, or 2015.

Indiana Code 36-1-21-4(a) states in part: "This chapter establishes minimum requirements regarding contracting with a unit. The legislative body of the unit shall adopt a policy that includes, at a minimum, the requirements set forth in this chapter. . . ."

Certification

Each elected officer did not certify in writing that the officer had not violated Indiana Code 36-1-21 (Contracting With a Unit) by December 31, 2013, 2014, 2015, or 2016.

Indiana Code 36-1-21-6 states: "Each elected officer of the unit shall annually certify in writing, subject to the penalties for perjury, that the officer is in compliance with this chapter. An officer shall submit the certification to the executive of the unit not later than December 31 of each year."

CREDIT CARD POLICY

The Township made purchases using a credit card; however, a credit card policy approved by the Township Board was not presented.

The SBOA will not take exception to the use of credit cards by a unit provided the following criteria are observed:

1. The governing body must authorize credit card use through an ordinance/resolution, which has been approved in a meeting and documented in the minutes.
2. Issuance and use must be handled by an official or employee designated by the governing body.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance/resolution.

EAGLE CREEK TOWNSHIP, LAKE COUNTY
RESULTS AND COMMENTS
(Continued)

4. When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Credit cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment cannot be made on the basis of a statement or a credit card slip only. Procedures for payments must be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee may be the personal obligation of the responsible officer or employee.
8. If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

EAGLE CREEK TOWNSHIP, LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 28, 2017, with Rosemarie Morrow, Trustee.